

Attachment ~~not~~ copied. Separately  
NP, NSC, VIP visits, Shah of Iran,  
NSC Box 920, Folder 2  
NSC W/d

DECLASSIFIED  
PA/HO Department of State  
E.O. 12958, as amended  
June 21, 2006

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger *K*

SUBJECT: Your Talk with The Shah -- Tuesday, October 21

The Schedule

Tuesday, October 21

10:30 a.m. -- Arrival ceremony (statement in the  
separate briefing book)  
11:00 a.m. -- Talk with the Shah  
8:00 p.m. -- White Tie Dinner (toast in briefing book)

Thursday, October 23

11:30 a.m. -- Farewell call (statement will be sent  
after Tuesday meetings)

Significance of The Visit

As you know, the Shah is a man with a mission -- putting Iran  
on its feet as a modern nation before he dies.

To this end, he is subtly pressing the idea of a "special relation-  
ship" with the US. By this he means a relationship that would  
cause us to give Iran preferred treatment -- exceptions to oil  
import policy, a place at the top of the military credits list and  
higher revenues from private US oil companies.

In this, he is not entirely self-seeking. He is genuinely committed  
to the West and feels the good job he is doing in Iran -- "an island  
of stability," he calls it -- is an important service to the Free World.

~~SECRET~~

PAGE 2

He knows that no one visit is a make-or-break point in a relationship like this, but in these first substantive talks with your Administration he will be trying hard to nail down the principle of special relationship. As a determined man who believes in his cause, he is a persistent bargainer and he will read any generally sympathetic answer as assent. Precise and frank talk about how far the US can and cannot go is important in avoiding later misunderstanding.

Points to Stress (see also Secretary Rogers' memo in briefing book)

1. Continued warmth of your personal relationship, pleasure in exchanging views on the world situation and interest in the latest developments in Iran.
2. Desire for close cooperation with Iran within limits imposed by present US mood. [You might approach this by explaining in depth the philosophy behind the policy stated on your Asian trip. The Shah will agree and then argue that this is exactly why he seeks special treatment -- so Iran can save the US from involving itself in Iran's part of the world. While that makes sense and we should help as much as we can, the point is that the US mood which underlies your Asian statements also creates strong sentiment in some quarters against military credits and special import quotas. While this Administration is committed to a close relationship with its friends, translating that commitment into practical policies and programs is a political problem that has to be worked out a step at a time in our political system. The President of the US cannot make policy as quickly and easily as the imperial ruler of Iran. By combining appreciation for the Shah's policy and a description of the practical problems you face as a political leader, I hope you can be forthcoming without letting him expect too much.]

Points to Avoid

1. A specific commitment on either of the Shah's oil import proposals. [Tabs D and E of briefing book describe fuller details and the Shah's revenue problem which underlies them. In brief, they are (a) that the National Iranian Oil Company through its American partner, the Planet Oil Company which Herbert Brownell represents, be given an annual quota for the import of oil into the United States, and

~~SECRET~~

~~SECRET~~

PAGE 3

(b) that the United States accept an Iranian proposal to sell oil for a strategic stockpile -- the oil to be sold at cost with Iran collecting its profit only if and when the oil is used. As you know, the Cabinet Task Force on oil import policy will not report its recommendations to you for another six weeks or so, and you would not want to mislead the Shah to expect more than we can deliver. The Task Force will consider Iran's special strategic claim on our attention, but of course that is only one factor in setting oil import policy. ]

2. Commitment on military credits. [The US has a five-year understanding with the Shah dating from June 1968 for the sale of arms at the rate of about \$100 million a year. But the Shah is always in the process of reviewing his needs and pressing the upper limits of available US credit. Our problem is simply budgetary: The Iranian credit in FY 1970 is by far the largest, taking 30% of the sales budget request. You are aware of the pressures from Israel to increase its share, and beyond that Iran is competing within a \$350 million ceiling with other special cases like Taiwan, Greece and some Latin Americans. Since the Shah personally oversees Iran's procurement program, he has a great deal of detail at his fingertips. Your best procedure is to let him discuss details with Secretary Laird.]
3. Saying "we will consider" the Shah's requests. He will read that as a promise to consider favorably. To avoid unpleasant misunderstanding, it is best where possible to say exactly how we will handle his requests, explaining where necessary why it is not possible to give a final answer immediately.

#### Talking Points

1. You are sorry you could not stop in Iran at the end of your Asian trip. Scheduling made it impossible. You decided that it would be better to defer a visit to Iran rather than to make a quick three or four hour stop. You appreciate the Shah's understanding. [In deciding not to go last August, you authorized my telling the Iranians you would go next year. ]

~~SECRET~~

PAGE 4

2. You might want to give the Shah your main impressions from the Asian trip leading to the following point: You are aware that the Shah for some time has understood the philosophy behind your Asian policy. But when you took office you were struck by the many restrictions imposed by the present American mood. You deeply appreciate the Shah's perceptiveness and hope he will continue to bear with us if we sometimes seem unable to do all that we logically should even to give substance to our own policy.
  3. These comments may well lead to the oil question. You appreciate the importance of oil revenues to Iran's stability, defense and growth.
    - a. You are aware of his proposals for increasing US import of Iranian oil -- the desire for an import quota and the proposal for sale to a US stockpile. You want to explain where your own decision-making process on oil import policy stands because our response must be consistent with the new policy. The Cabinet Task Force will report in about six weeks. There will be a period of discussion and decision-making after that. You have instructed that national security concerns -- such as those the Shah argues -- be worked into the Cabinet Task Force's recommendations. You are sorry you cannot give him an answer now, but this is a major policy review involving complex domestic and international political and economic issues.
- [I recommend you describe these in a general way to give the Shah the impression (a) that you are grappling with a difficult political problem and (b) that you appreciate the Shah's effort to cast his proposals in terms of US security and balance of payments interests. Oil import policy involves balancing national security requirements -- the US oil reserve and cooperation with our friends -- with domestic prices and the interests of US companies, which vary from one section of the US to another. For your background: US imports of oil will rise, but it is not at all clear now that special

~~SECRET~~

~~SECRET~~

PAGE 5

arrangements for any country outside the Western Hemisphere will be desirable. On the other hand, if the US does decide to stockpile oil, Iran's offer might well be competitive. ]

- b. You understand the Shah's desire to maximize oil revenues for Iran's development plan. [He is putting great pressure on the consortium companies to increase their offtake from Iran to bridge the gap between income and the Shah's development budget. ] In our free enterprise system we cannot tell the oil companies what to do, although we do share with the companies our view of Iran's importance. You realize from your own talks with Secretary Schultz how complicated it is to match domestic economic requirements against international trends in a commodity like oil. How does the Shah manage this? [The point here is to suggest subtly that the Shah base his policy toward the oil consortium on sound analysis of what the world oil market and sensible commercial practice will permit. The Shah wants more than what the companies consider Iran's share of the Mid-East market and a greater production increase than world demand and supply will support. We do not want to take sides. But we do not want to see the Shah do anything rash. One idea is to encourage him to seek from independent oil consultants a judgment on a fair compromise. ]

4. On military cooperation, the US will continue to help. You regard the details of the program as part of a continuing discussion between our respective military experts. Secretary Laird will be discussing these with him further. You would only note that both the US and Iran have to work with budgetary limits. You know how well the Shah understands the need to balance domestic development against defense. All you can say is that we shall continue to work closely with Iran in this field.

[The Shah is pressing for some help that causes problems for Defense. For instance, the Shah would like more Iranian ,

~~SECRET~~

~~SECRET~~

PAGE 6

pilots trained in the US. This would be nice to do, but as a practical matter it would involve either cutting slots for other friends -- Iran already has half the slots allotted for our worldwide pilot training program -- or asking Congress for more money for this program. The Shah would also like more USAF technicians to help train Iranians in maintaining their F-4s because they are cheaper than civilian contract technicians. This raises the question of a deepening direct involvement in Iran. For example, during Iran's brief border tension with Iraq last spring, USAF technicians were asked to move to forward bases. Fortunately, the incident ended before they had to move. ]

5. Prince Fahd when you saw him last week expressed admiration for the Shah and for his statesmanship in working toward a solution of the Bahrain problem. As the British move out of the Persian Gulf, you are counting on the statesmanship of the Shah and King Faisal to make the transition orderly. [Iran has an historic claim to Bahrain and three other small islands in the Persian Gulf. The Shah has said he would be willing to accept any arrangement the UN is able to work out for ascertaining the wishes of the people of Bahrain. In effect, he is willing to drop Iran's claim there if he can find a face-saving way to do it. The British believe they are close to agreement with the Shah on Bahrain and would appreciate your encouraging him to complete what is potentially a statesmanlike act in taking Bahrain out of the field of controversy. The Shah still wants control of the smaller islands.]

6. The Shah will be interested to hear your views on Vietnam and the domestic US mood and to discuss the Middle East and East-West relations (your visit to Rumania).
7. You are pleased to be cooperating with the Shah in pressing his proposal (made at Harvard in June, 1968) for a "Universal Welfare Legion" -- a sort of international Peace Corps. [In your UN speech, you welcomed ECOSOC study of the feasibility of this proposal, and in a September 24 letter you informed U Thant that Joe Blatchford would help with the UN study. A decisive factor will be whether the idea is acceptable in the developing world. ]

~~SECRET~~

~~SECRET~~

PAGE 7

Substantive Points He Will Raise

1. The Shah is, above all, interested in exchanging views on the world situation.
2. He has, during his talks here at the time of General Eisenhower's funeral and in his first talks with Ambassador Mac Arthur, proposed that the US and Iran develop a special working relationship. He is not talking about an alliance but about very close consultation and special consideration for each other's interests.
3. In this context, he will develop his two proposals on importing Iranian oil into the United States and encourage you to press the oil consortium companies to increase offtake from Iran.
4. He will press for additional military equipment within our credit sales program and for further help from US Air Force technicians.
5. The Shah will speak of Iran's importance as a stabilizing factor when the UK pulls out of the Persian Gulf. This is a major part of his argument for special US help. [Our reply is that we hope the Shah and King Faisal will work closely for the stability of the Gulf. You were pleased to hear from Prince Fahd that the Saudis feel relations are good.]

Attachments: I am attaching biographic background on the Shah

~~\_\_\_\_\_~~  
More detailed papers on the principal issues and a fact book are in the separate briefing book.

~~SECRET~~  
~~TOP SECRET CODEWORD ATTACHMENT~~